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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Applications of WorldCom, Inc.  
And MCI Communications Corp.  
For Transfer of Control of  
MCI Communications Corp.

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CC Docket No. 97-211

To: The Commission

REPLY COMMENTS

Respectfully submitted,

Coalition of Utah Independent Internet Service Providers

By:

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January 26, 1998

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**REPLY COMMENTS**

The Coalition of Utah Independent Internet Service Providers (CUIISP) is a 501(c)6 organization of more than one hundred small business owners in Utah engaged in the business of providing Internet access to individual citizens, businesses, schools, and other organizations. As Internet backbone customers who stand to be greatly affected, indeed have our very livelihoods threatened by, a merger between MCI and WorldCom, we submit these comments in opposition of the proposed merger.

Providing Internet access to our customers depends on two major elements, the phone lines we purchase through which our customers dial into our modem banks, and a connection to the Internet from those modems. This connection is purchased from one of a variety of backbone providers; at present the list of backbone providers from which an Internet Service Provider (ISP) can purchase a connection is misleadingly long.\*

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\*Boardwatch magazine publishes a list of Internet backbone providers with performance and value ratings. The most recent list, from the magazine's Fall 1997 quarterly ISP directory shows ratings for 34 different backbone providers. The list shrinks when you consider the true ownership of each provider, and how each provider obtains its backbone. SAVVIS, for instance, is already owned by Worldcom. ELI purchases its backbone from MCI, UUNet, & Sprint.

We would encourage the FCC to look less at the length of the list than at the distribution of Internet end-users, or subscribers among the competitors on that list. This gives a more accurate picture of how the backbone is presently arranged, and illustrates how serving a large concentration of customers leads to "control" of the backbone itself.

There are a number of considerations for an ISP purchasing an Internet connection. One of the most important is peering. Who can our customers connect with? If we were to sell Internet access where our customers could connect with anybody worldwide except for people with Compuserve connections for example, obviously that would diminish the value of our product. Presently we do not have that problem, but UUNet has already demonstrated that it would like to charge a toll for connections through its network. And WorldCom which owns UUNet, also owns Compuserve. This situation could hardly improve were WorldCom's already substantial ownership of customers connecting to the Internet backbone to increase.

The peering scenario described above could never work in reverse. UUNet's incentive to pay a toll to a small ISP to obtain access to a relatively small group of customers in a tiny pocket of the world is small or nonexistent. If every network connecting to the Internet backbone were of equal size, then everyone would have an equal incentive to peer with one another. But if the backbone is concentrated in the hands of a few large providers, the small independent ISP with a small network of subscribers could very easily be forced out of the picture if not through predatory pricing, then through onerous peering requirements. The peering implications alone are possibly the most troublesome aspect of the merger.

Also important for the FCC to consider is the process small independent ISPs presently pursue in order to purchase Internet connections. They must calculate three things at once.

1. Speed of a connection: How long will it take an ISP's customers to download information through its connection?
2. Reliability: Is the speed preserved under all conditions (heavy load, time of day)
3. How much does it cost?

Each of these questions are interrelated; a connection that does only one or two of the three is useless for an ISP. Fast downloads are useless if they only happen some of the time, and fast downloads which happen all or most of the time are useless if they are not affordable. In the end though, numbers 1 and 2 are of prime importance, and a successful ISP must build its price list around whatever number 3 turns out to be. This rule will not change.

Presently small ISPs have weak leverage in negotiations with backbone providers on the subject of price, but so far, most have been able to build current prices into their cost models. If this were to change - if one provider were to dominate, providing a network which made so much more sense to connect with than any other, either because of its peering control or its ownership of the infrastructure and the scarce technical expertise required to operate it, the provider would in a sense have a monopoly on the product - and could control the shape of the downstream market through its pricing. Lesser brands might exist but not for long.

The pricing model which allows so many small independent ISPs to flourish in this country is precarious, and there is a good reason that one does not often see unlimited flat rate service offered at much less than \$19 a month. There is a floor, near which many small ISPs conduct business for the sheer joy of independence; their profits are comparatively small. This is a good thing for the consumer, who can choose many different flavors of a similarly priced product, and enjoy personal assistance with a product which can be fairly complex to use. A merger between MCI and WorldCom raises the possibility of a backbone price which is no longer kept in check by competition, simply because a backbone of that size and power would be impossible to compete with. Smaller ISPs would not be able to afford the connection, and consumers would be forced to purchase their access at higher prices through national providers, an option which a remarkable number of consumers presently reject. We therefore urge that the merger application be denied.